



PRESS RELEASE

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IRS – Criminal Investigation

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Tennessee Business Owner Pleads Guilty to Failing to Pay More Than \$6.8 Million in Employment Taxes

A Germantown, Tennessee, resident and business owner pleaded guilty to one count of failing to pay over employment taxes to the Internal Revenue Service (IRS), announced Acting Assistant Attorney General Caroline D. Ciralo of the Justice Department's Tax Division and U.S. Attorney Edward L. Stanton III of the Western District of Tennessee.

"Employers such as Larry Thornton are required by law to withhold taxes from their employees' wages, hold those funds in trust, and pay over those funds to the IRS," said Acting Assistant Attorney General Ciralo. "Willful failure to comply with this requirement is a crime, and prosecution of those responsible remains among the Tax Division's top priorities. Those individuals who choose to maintain their business and line their pockets with the trust funds of their employees are stealing from the U.S. Treasury – plain and simple and will face heavy consequences including incarceration."

According to court documents, Larry Thornton, 66, was the majority owner, president and chief executive officer of Software Earnings Inc. (SEI), a Memphis company that produced and installed check processing. Thornton was also the 100 percent owner, CEO and president of First Touch Payment Solutions LLC (First Touch), a Memphis company that provided merchant services for credit card processing. Thornton, as CEO and president of SEI and First Touch, had ultimate and final decision-making authority regarding SEI's and First Touch's business activities and had authority to exercise significant control over SEI's financial affairs. As part of his plea, Thornton admitted that he was responsible for collecting, accounting for and paying over to the IRS federal income taxes and Federal Insurance Contributions Act (FICA) taxes that were withheld from the wages of SEI and First Touch's employees.

Beginning in the second quarter of 2007, Thornton caused SEI to stop paying over the taxes required to be withheld from SEI's employees' paychecks and caused SEI to stop timely filing Employer's Quarterly Federal Tax Returns, Forms 941, with the IRS. Beginning in the first quarter of 2010, Thornton caused First Touch to stop paying over the taxes required to be withheld from First Touch's employees' paychecks and caused First Touch to fail to timely file Forms 941 with the IRS. Between 2007 and 2011, Thornton collected more than \$6.8 million in employment taxes from SEI and First

Touch employees' paychecks, but failed to pay those collected taxes over to the IRS. Thornton also failed to pay his companies' matching share of FICA taxes during those years. During the same years that Thornton failed to comply with his employment tax obligations, he spent over \$6.2 million on personal expenses, including house and condominium payments; vehicle, yacht and motorcycle loan payments; personal travel; and start-up funding for his wife's beauty boutique. As part of the guilty plea, Thornton admitted that his fraudulent conduct caused a tax loss of more than \$8.9 million to the IRS.

"Business owners have a responsibility to withhold income taxes for their employees and then remit those taxes to the Internal Revenue Service on behalf of those employees," said Special Agent in Charge Tracey D. Montañó of IRS Criminal Investigation. "Employment tax evasion not only results in the loss of tax revenue to the U.S. government, it also results in the loss of future social security or Medicare benefits for the employees. Failure to pay over withheld taxes is a serious offense. IRS Criminal Investigation will vigorously pursue anyone who, at the expense of their hard working employees, collects taxes and uses the proceeds for their own personal gain, rather than to fulfilling their employer obligations."

Thornton faces a statutory maximum sentence of five years in prison, three years of supervised release, a fine and restitution. Under the terms of the plea agreement, Thornton has agreed to pay more than \$10 million in restitution to the IRS. The sentencing is set for July 22.

Acting Assistant Attorney General Ciruolo and U.S. Attorney Stanton commended special agents of IRS Criminal Investigation, who investigated the case and Assistant U.S. Attorney Damon Griffin of the Western District of Tennessee and Trial Attorney Robert J. Boudreau of the Tax Division, who are prosecuting the case.

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